

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6081

BILL NUMBER: SB 131

NOTE PREPARED: Nov 15, 2004

BILL AMENDED:

SUBJECT: Disability Benefits for Public Safety Officers.

FIRST AUTHOR: Sen. Craycraft

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides that a member of the 1925 Police Pension Fund, 1937 Firefighters' Pension Fund, 1953 Police Pension Fund, or 1977 Police Officers' and Firefighters' Pension Fund who develops cancer or a heart condition related to the police officer's or firefighter's duties is entitled to 75% of the salary of a first class patrolman or firefighter. It provides that the death of a police officer or firefighter from cancer or a heart condition related to the police officer's or firefighter's duties is a death in the line of duty.

Effective Date: July 1, 2005.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: It is unknown how many disabilities are the result of heart disease or a diagnosis of cancer. For illustration purposes, it has been assumed that 50% of the disabilities are due to these conditions. The table below shows the estimated fiscal impact of this proposal for all cities and towns with members in the affected pension plans based on the assumption above.

The Public Employees' Retirement Fund (PERF), as administrators of the 1977 Police Officers' and Firefighters' Pension Fund and the Pension Relief Fund, said that there have been 17 line-of-duty deaths since 1998, with 6 due to heart attacks and none due to cancer. Currently, these benefits are paid from the Pension Relief Fund from which line-of-duty death benefits are paid for members of the 1925 Police Pension Fund, 1937 Firefighters' Pension Fund, 1953 Police Pension Fund, or 1977 Police Officers' and Firefighters' Pension Fund. However, this proposal provides that the respective funds will pay for the benefits.

	<u>1925, 1937 and 1953 Funds</u>	<u>Converted 1977 Plan</u>	<u>Non-Converted 1977 Plan</u>
Increase in Actuarial Liabilities	\$1,546,529	\$1,150,720	\$12,584,224
Increase in Annual Funding	(see below)	(see below)	21% would increase to 22.1%

Since the benefits for the 1925, 1937, and 1953 Funds (Old Plan members) and for converted members are funded on a pay-as-you-go basis, the following illustrates the estimated increase in benefit payouts by cities and towns over the next five years.

<u>Calendar Year</u>	<u>Increase in Expected Benefit Payouts</u>
2005	\$182,763
2006	253,646
2007	303,572
2008	361,559
<u>2009</u>	<u>455,045</u>
TOTAL	\$1,556,585

The funds affected are the Police and Fire Pension Funds. The principal source of revenue for the Police and Fire Pension Funds are the following: (1) General property taxes; (2) Financial Institutions Tax; (3) Auto and Aircraft Excise taxes; (4) Certified Shares, Property Tax Replacement Credits; (5) County Option Income Tax, (6) Commercial Vehicle Excise Tax; (7) Liquor Excise and Liquor Gallonage distributions; and (8) Wagering Taxes. Other revenue sources include licenses and permits, charges for services, fines and forfeitures, and interest on investments.

Also, cities and towns with a population of over 5,000 may use up to 10% of their Motor Vehicle Highway Account distributions for law enforcement purposes. Cities and towns under 5,000 can use up to 15%.

Explanation of Local Revenues:

State Agencies Affected: Public Employees' Retirement Fund as administrators of the Police and Fire Plans.

Local Agencies Affected: Those cities and towns with members in the affected pension plans.

Information Sources: Doug Todd of McCready & Keene, Inc., actuaries for the Police and Fire Funds, 317-576-1508.

Fiscal Analyst: James Sperlik, 317-232-9866.

DEFINITIONS:

Actuarial Liability: The excess of the present value of all benefits thereafter payable under the system over the present value of future normal costs.

Converted: Members hired before May 1, 1977, who have elected to convert to the benefit structure under the 1977 Act.

Non-Converted 1977 Plan: Members hired after April 30, 1977, all of whom are covered by the benefit structure under the 1977 Act.

Old Plan: Members hired before May 1, 1977, who have not elected to convert to the benefit structure under the 1977 Act.

Background Information: The Pension Relief Fund (PRF) (IC 5-10.3-11) was established to help cities and towns with the financial burdens associated with their police and fire retirement systems. The major sources of revenue for the PRF consist of a dedicated portion of cigarette and liquor taxes, investment income on invested funds, and (since 1990) lottery revenue. Cigarette and liquor taxes have furnished income of between \$30 M and \$40 M each year, while investment income provides \$15 M to \$20 M per year (at the assumed rate of 6% per year). Lottery revenues deposited in the PRF have totaled \$244.7 M since 1990.

For a more complete description of the PRF, please see the following: [http:// www. in.gov/ legislative/publications/](http://www.in.gov/legislative/publications/)